

Message Text

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12

ORIGIN EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 ISO-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-03 RSC-01 PRS-01 SPC-03 SS-15 USIA-15 ACDA-19

IO-13 COME-00 TRSE-00 OMB-01 INT-08 SCEM-02 SSO-00

CCO-00 PCH-04 OPIC-12 CIEP-02 /216 R

DRAFTED BY EB/ORF/FSE:WBWHITMAN:CJR

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S/S - MR. GAMMON

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R 252222Z SEP 73

FM SECSTATE WASHDC

TO ALL OECD CAPITALS

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY ATHENS

AMEMBASSY NAIROBI

AMEMBASSY BRASILIA

USINT ALGIERS

USINT BAGHDAD

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY ABU DHABI

AMEMBASSY TEHRAN

AMEMBASSY LAGOS

AMEMBASSY JAKARTA

AMEMBASSY CARACAS

AMEMBASSY TRIPOLI

AMCONSUL RIO DE JANEIRO

AMEMBASSY MOSCOW BY POUCH

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AMEMBASSY SOFIA BY POUCH

C O N F I D E N T I A L STATE 190937

TOECO 45

E.O.11652: GDS

TAGS: ENRG

SUBJECT: LIBYAN OIL DEVELOPMENTS

REF: TRIPOLI 1219

1. TALKS CONTINUE BETWEEN U.S. MAJORS (PLUS SHELL) AND SENIOR LARG OFFICIALS ABOUT FUTURE STATUS OF COMPANY HOLDINGS IN LIBYA. ON SEPTEMBER 16 COMPANIES OFFERED THREE CHOICES BY PM JALLUD: (1) SIGN SHIPPING INVOICE ACKNOWLEDGING THAT 51 PERCENT OF ALL LIFTINGS BELONG TO LARG, (2) ALLOW LARG TO LIFT ITS 51 PERCENT SHARE WITHOUT PURSUING THE OIL AND (3) AGREE TO "UNANNOUNCED TRUCE" DURING WHICH TIME NEGOTIATIONS WOULD GO ON, LARG WOULD LIFT ITS 51 PERCENT, AND COMPANIES WOULD AGREE NOT TO PURSUE OIL.

2. DURING SEPTEMBER 22 MEETINGS IN TRIPOLI WITH PETROLEUM MINISTER MABRUK AND HIS DEPUTY MUNTASSIR, COMPANIES REJECTED ABOVE OPTIONS; THEY DID HOWEVER EXPRESS INTEREST IN THE POSSIBILITY OF AN "UNANNOUNCED TRUCE" DURING WHICH NEGOTIATIONS COULD CONTINUE. THE LIBYANS REFUSED THE COMPANY COUNTER OFFER OF 5 PERCENT OF PRODUCTION FOR LARG DIRECT SALES AND 27 CENTS PER BARREL EXTRA REVENUE DURING THE TRUCE, BUT SHOWED INTEREST IN FURTHER DISCUSSION. AFTER COMPARING NOTES

OF THEIR SEPARATE MEETINGS WITH MABRUK AND MUNTASSIR, CONSENSUS OF COMPANY OPINION IS REPORTEDLY THAT LARG:

(A) DESIRES TO OBTAIN SOME KIND OF INTERIM SETTLEMENT AND WOULD BE WILLING TO MINIMIZE THE EFFECT OF THE SEPTEMBER 1 NATIONALIZATION LAW DURING THE NEGOTIATING PERIOD.

(B) WANTS OIL TO BE LIFTED DURING THE NEGOTIATING PERIOD.

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PERIOD.

(C) APPEARS TO BELIEVE THAT ENTIRELY NEW FORMULA MAY BE REQUIRED FOR SETTLEMENT WITH THE MAJORS, POSSIBLY A PRODUCTION SHARING ARRANGEMENT. HOWEVER ANY SETTLEMENT REACHED MUST BE AT LEAST THE EQUIVALENT OF THOSE REACHED WITH OASIS AND OCCIDENTAL.

3. ACCORDING TO MUNTASSIR, IF "UNANNOUNCED TRUCE" REACHED, IT COULD BE IN EFFECT FOR AS LONG AS SIX MONTHS PROVIDED THAT COMPANIES CONTINUE TO NEGOTIATE "SINCERELY". HE ADDED THAT LARG EXPECTS RENEGOTIATION OF PERSIAN GULF OIL AGREEMENTS WITHIN THIS TIME FRAME, PERHAPS BY END OF NOVEMBER. MUNTASSIR ALSO REPORTEDLY STATED THAT LIFTINGS DURING TRUCE PERIOD NEED NOT BE DOCUMENTED.

4. COMPANIES NOW MEETING IN NEW YORK TO PREPARE SECOND OFFER, WHICH MIGHT BE MADE TO LARG AS EARLY AS SEPTEMBER 26. WE UNDERSTAND THAT OFFER MAY INCLUDE, INTER ALIA, PROPOSAL TO GIVE LIBYA UP TO 17-1/2 PERCENT OF PRODUCTION AS COMBINATION OF ROYALTY AND COST CRUDE, PROVIDED THAT COMPANIES HAVE FIRST CALL ON PURCHASING AN AGREED PORTION OF THIS OIL.

5. TEXACO INFORMS US THAT SECOND CARGO OF LARG/AMOSEAS OIL LIFTED ON SEPTEMBER 22 AND NOW ENROUTE TO SARAS REFINERY IN SARDINIA. AS IN CASE OF FIRST SHIPMENT DESTINED FOR SARDINIA, BOTH TEXACO AND SOCAL PLAN TO TAKE LEGAL ACTION IN ITALIAN COURTS AGAINST THE CARGO, THE REFINERY, AND THE SHIP-OWNER, NEW ENGLAND PETROLEUM COMPANY OF NEW YORK (NEPCO). (ROME 9967 NOTAL).

6. FOREGOING IS DESIGNED TO BRING YOU UP TO DATE ON LATEST DEVELOPMENTS IN LIBYAN SITUATION. IT IS FOR BACKGROUND USE ONLY AND SHOULD NOT BE DISCUSSED IN DETAIL WITH YOUR HOST GOVERNMENT. RUSH

NOTE BY OC/T: POUCHED MOSCOW, SOFIA.
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Message Attributes

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